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CENTRAL INTELLIGENCE AGENCY REPORT NO. [redacted]

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INFORMATION REPORT

FUP 886

COUNTRY Germany (Russian Zone)

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SUBJECT Financial Difficulties of Soviet AGs

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1. In recent months there has been an appreciable decrease in the working capital of several of the Soviet AGs in Thuringia, particularly in the former B.M.W. automobile plant in Eisenach, the Soviet AG Avtovelo, and in the Maschinen-Fabrik Henry Pels, Erfurt, part of the Soviet AG Podemnik. They have been very slow in paying out money, and have found it very difficult to meet the payroll.

2. The Russian directors and the German officials of the Soviet AGs have been trying desperately to meet production quotas set by the SMA, but are handicapped financially. Most of their orders are directly for Russia, or on reparations accounts, and may not be charged for at the free market price. Prices of mass-production items are fixed at the 1944 rate, and the prices of the other items are all rigidly controlled. Since the currency reform it has been impossible for the Soviet AGs to realize the actual cost price. Besides this, all the Soviet AGs have been assessed a "rental charge", and in the last two months have been assessed an arbitrary "rental of building equipment charge".

3. The Soviet AGs have been relying almost entirely on short term loans to help them out of immediate financial difficulties, but at the beginning of November the state government of Thuringia, and the Garantie- und Kreditbank, Erfurt branch, were specifically prohibited by the SMA from advancing any money to any Soviet AG. As a last resort the Soviet AGs have been trying to collect the sums as they become due on reparations accounts from the State Treasury at Weimar. The State Treasurer, however, has been very reluctant to pay out money for current reparations, because he has indicated that on secret SMA orders he is to assemble a large sum of money to be allocated to a special project.

25X1A6a [redacted] Comment: It is believed by the German officials of the Soviet AGs that this money is to be allocated to the training of the new police troops, or for financing the SED Action Groups.)

4. The general impression created by the Russian handling of Soviet AG finance is that they are trying to get cheap reparation

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material as fast as possible, and are not concerned with the solvency of the individual firms. In anticipation of shortages of certain raw materials, they seem quite resigned to an eventual bankruptcy of many of the Soviet AGs. It is expected that they will then magnanimously convert the bankrupt Soviet AGs into publicly owned enterprises.

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